

VZCZCXRO8562
PP RUEHGH RUEHROV
DE RUEHIN #1263/01 1002253
ZNY SSSS ZZH
P 102253Z APR 06
FM AIT TAIPEI
TO RUEHC/SECSTATE WASHDC PRIORITY 9637
INFO RUEHAC/AMEMBASSY ASUNCION 0066
RUEHBJ/AMEMBASSY BEIJING 5042
RUEHBE/AMEMBASSY BELIZE 0044
RUEHBR/AMEMBASSY BRASILIA 0064
RUEHWN/AMEMBASSY BRIDGETOWN 0053
RUEHBW/AMEMBASSY BUENOS AIRES 0038
RUEHCV/AMEMBASSY CARACAS 0031
RUEHGT/AMEMBASSY GUATEMALA 0109
RUEHMU/AMEMBASSY MANAGUA 0120
RUEHZP/AMEMBASSY PANAMA 0085
RUEHPU/AMEMBASSY PORT AU PRINCE 0082
RUEHSJ/AMEMBASSY SAN JOSE 0118
RUEHSN/AMEMBASSY SAN SALVADOR 0243
RUEHSG/AMEMBASSY SANTIAGO 0054
RUEHDG/AMEMBASSY SANTO DOMINGO 0085
RUEHUL/AMEMBASSY SEOUL 7755
RUEHTG/AMEMBASSY TEGUCIGALPA 0126
RUEHKO/AMEMBASSY TOKYO 7617
RUEHROV/AMEMBASSY VATICAN 0014
RUEHGZ/AMCONSUL GUANGZHOU 9209
RUEHHK/AMCONSUL HONG KONG 6232
RUEHGH/AMCONSUL SHANGHAI 0018
RUEHSH/AMCONSUL SHENYANG 5130
RUEAIIA/CIA WASHDC
RHEFDIA/DIA WASHINGTON DC
RHHJJAA/JICPAC HONOLULU HI
RUEKJCS/SECDEF WASHINGTON DC

S E C R E T SECTION 01 OF 02 TAIPEI 001263

SIPDIS

SIPDIS

DEPARTMENT PASS TO WHA

E.O. 12958: DECL: 4/10/2016

TAGS: [CR](#) [NC](#) [PM](#) [PGOV](#) [PREL](#) [TW](#) [XR](#)

SUBJECT: TAIWAN STRUGGLING TO COUNTER THE PRC IN LATIN AMERICA

REF: A. TAIPEI 0427

- [1B.](#) TAIPEI 0781
[1C.](#) TAIPEI 4282 (2005)

Classified By: AIT Deputy Director David J. Keegan, Reason 1.4 (b/d)

[11.](#) (C) Summary: Taiwan officials continue to worry about Taipei's diplomatic standing in Latin America and Beijing's growing influence in the region. Taipei is particularly concerned that Panama, Costa Rica, and Nicaragua might soon switch recognition from Taipei to Beijing. In an effort to counter the PRC, Taiwan has adopted a new foreign aid program aimed at Latin America, and President Chen Shui-bian plans to visit Costa Rica and Paraguay in May. As Beijing's economic clout continues to grow, however, it appears there is only so much Taiwan can do before some nations begin to switch ties to the PRC. End summary.

Taiwan Worried About Central America

[12.](#) (S) Ministry of Foreign Affairs (MOFA) officials' immediate concern is Panama (ref A and B). In two recent meetings with AIT, Foreign Minister James Huang pointed to Panama-PRC meetings in Madrid in mid-February as evidence of Panama's strong interest in exploring the possibility of switching recognition. He added that MOFA assesses Panamanian President Torrijos is inclined to maintain diplomatic ties with Taiwan, while expanding commercial ties

with Beijing, but Vice-President and Foreign Minister Samuel Lewis is pressuring Torrijos to derecognize Taiwan. MOFA Director-General for Latin America Jai-son Ko also expressed concern about Panama; he told AIT that, despite Panamanian assurances, Taipei is not confident of its standing and does not know "what is going to happen."

¶13. (C) Ko also raised concerns about Nicaragua and Costa Rica. In Nicaragua, he said, there are far too many candidates opposing pro-PRC Sandinista candidate Daniel Ortega in the Fall presidential election, which could split the vote and allow Ortega to win the presidency outright. Ko expressed hope that the US will consider using its influence to encourage the anti-Sandinista candidates to cooperate to find an effective strategy to oppose Ortega.

¶14. (C) In Costa Rica, Ko feared that president-elect Oscar Arias Sanchez will move San Jose closer to Beijing. Within a year, he speculated, Sanchez might move to exchange trade offices with China, as a precursor to formal ties. Separately, Costa Rica's Ambassador to Taiwan, Dr. Oscar Alvarez, told AIT that he expects one of Sanchez's priorities after assuming office will be to expand ties with Beijing and invest in the PRC market. In the past, Alvarez noted, Sanchez has expressed his displeasure with Costa Rica's ties to Taiwan. Alvarez told AIT that many Costa Rican government officials believe Sanchez is preparing to switch ties to Beijing when the time is right.

New Aid Strategy to Counter the PRC

¶15. (C) Taiwan's US \$250 million "Co-Prosperity Project" is a new foreign policy strategy aimed at bolstering Taiwan's standing in Latin America and countering Beijing's growing economic ties (ref C). MOFA's Ko told AIT that the initiative came from President Chen's personal dissatisfaction with Taipei's existing aid programs and Beijing's efforts to use its growing economy to pressure Taiwan. The program will promote Taiwan investment and encourage long-term development rather than rely on Taipei's traditional infrastructure and humanitarian assistance projects. Taiwan officials from several government ministries jointly developed the plan with Taiwan business leaders and recipient governments in Latin America. The plan relies on persuading Taiwan businesses, some government controlled but some not, to make major new investments in the region. MOFA officials are worried, however, that it will be difficult to convince Taiwan businesses to invest in the region because most firms see more potential in the PRC and Southeast Asia.

Chen's Latin America Trip

¶16. (C) President Chen will visit Latin America in May to bolster Taiwan's standing with its diplomatic partners. MOFA's Ko told AIT that Chen plans to attend the inauguration of Costa Rica president-elect Oscar Arias Sanchez as well as meet with other Central American leaders. Chen hopes to convince the leaders that Taiwan is a more reliable diplomatic partner than Beijing. Chen then plans to travel to Paraguay, Taiwan's only remaining partner in South America. Ko said he was confident in Taipei's relationship with Asuncion and noted the primary purpose of the visit is to fulfill Chen's pledge to travel to each of Taiwan's allies during his presidency. Ko added that Chen hopes to visit the Southern Cone to counter the PRC's frequent visits to the region. Ko also confirmed that Chen wanted to visit Haiti, but for now Haiti is not on the itinerary. Separately, Legislative Yuan (LY) Speaker Wang Jin-pyng has been invited to attend the June 26 Regional United Parliamentary World Summit in Guatemala.

Comment: The Clock is Ticking

¶17. (C) Latin America is Taiwan's most important region in

terms of the number of formal diplomatic relations, but based on AIT's meetings with MOFA officials, it appears that Taipei does not have a solid grasp on the status of its diplomatic ties with governments in the region. There is a sense of pessimism that Taipei is barely hanging on - even with a new aid strategy. As Latin American governments face additional pressure to improve living standards and create jobs, the PRC's economy and, consequently, official ties with Beijing, have become increasingly appealing to Latin American businesses and the general populace. If this trend continues, it is only a matter of time before Taiwan will begin lose some of its partners to the PRC.

YOUNG